

FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, D.C. 20426

December 29, 2003

In Reply Refer To:  
BP Pipelines (North America) Inc.  
Docket Nos. IS04-84-000 and IS04-102-000

BP Pipelines (North America) Inc.  
28100 Torch Parkway, MC 6N  
Warrenville, IL 60555

Attention: Bernadette Zabransky  
Director - Pipeline Tariff & Regulatory Affairs

Reference: Acceptance of Security Surcharge Provision

Dear Ms. Zabransky:

1. On November 26, 2003 and December 5, 2003, BP Pipelines (North America) Inc. (BP Pipelines) filed oil pipeline tariff supplements in Docket Nos. IS04-84-000<sup>1</sup> and IS04-102-000,<sup>2</sup> respectively, proposing the tariffs become effective January 1, 2004. In all cases, the tariff supplements include a new provision proposing a security surcharge of 0.258 cents per barrel (cpb) for all movements (crude oil and petroleum products) on BP Pipelines' system during the period January 1, 2004 through and including December 31, 2005. Based on a review of the filings and our policy regarding security surcharges, the Commission will permit the tariff supplements to become effective January 1, 2004. Our accepting this filing benefits the public because it helps BP Pipelines better ensure the reliability and security of its operational facilities and the crude oil and petroleum products transported through its pipeline.

2. BP Pipelines files the instant filings in accordance with the Commission's Statement of Policy in Docket No. PL01-6-000 issued September 14, 2001.<sup>3</sup> Because of the events

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<sup>1</sup> Supplement No. 4 to FERC No. 139.

<sup>2</sup> Supplements No. 2 to FERC No. 142, 165 and 166; and Supplement No. 1 to FERC No. 147.

<sup>3</sup> Extraordinary Expenditures Necessary to Safeguard National Energy Supplies, Docket No. PL01-6-000, 96 FERC ¶ 61,299 (2001).

of September 11, 2001, BP Pipelines developed a surcharge to recover security-related costs. The instant tariff supplements add a new provision to BP Pipelines' rules and regulations to provide for the proposed 0.258 cpb surcharge.

3. During 2002 and 2003, BP Pipelines maintains it spent \$2,473,000 on security-related projects, including the installation of office security systems, additional security fencing around tank farm facilities, supervisory control system upgrades, and the addition of a full-time security support consultant. BP Pipelines states the proposed security surcharge recovers all security-related expenses over a two-year period (January 1, 2004 through December 31, 2005). BP Pipelines applies the surcharge to all crude oil and petroleum product barrels moved on the pipeline during the aforementioned recovery period.

4. BP Pipelines claims that, of the \$163,524,627 of total annual revenues recorded in its 2002 FERC Form No. 6, \$37,056,562 or 22.7% resulted from intrastate movements, and \$126,468,065, or 77.3% moved in interstate commerce. BP Pipelines further claims that its interstate throughput over the most recent 12-month period approximates 370,000,000 total barrels.

5. BP Pipelines applied the 77.3% allocation factor for interstate movements to the claimed total security expenses of \$2,473,000 to derive the \$1,911,000 allocated to interstate barrels which it then divided by the total annual interstate throughput of 370,000,000 barrels to determine an annual rate of 0.516 cpb. Because BP Pipelines proposes to recover its security-related expenses over a two-year period, the 0.516 cpb rate was halved resulting in the proposed security surcharge rate of 0.258 cpb.

6. At the end of the two-year recovery period (December 31, 2005), BP Pipelines will apply a true-up of the actual costs recovered. If this true-up amount is within 1% of BP Pipelines' total of \$2,473,000 spent on security-related projects, BP Pipelines states it will not make any additional collections or refunds.

7. Interventions and protests were due as provided in Section 343.3(a) of the Commission's regulations. No interventions or protests were received.

8. On September 14, 2001, the Commission issued its Statement of Policy regarding extraordinary expenditures necessary to further safeguard the reliability and security of national energy supplies. In the wake of the tragic events of September 11, 2001, the Commission provided that pipelines may file applications to recover prudently incurred costs necessary to further safeguard the reliability and security of our energy supply infrastructure in response to the heightened state of alert.

9. The Commission finds that BP Pipelines' security surcharge filing is consistent with the Commission's statement of policy as it proposes a mechanism to recover its prudently

incurred security-related costs. The Commission finds that with the addition of the following reporting requirements, BP Pipelines' proposal will satisfy both the need to recover extraordinary security costs and the requirement for just and reasonable rates. We will require BP Pipelines to file a detailed report with supporting documents and justifications demonstrating the prudence of all claimed costs for the expenses claimed for recovery by the proposed 0.258 cpb surcharge within 60 days of the date this order issues. We also direct BP Pipelines to file a final reconciliation report no later than 60 days after the end of its two-year recovery period.

10. The instant filing's tariff supplements listed in footnote numbers one and two herein are conditionally accepted effective January 1, 2004. BP Pipelines must file the additional reports as discussed in this order.

By direction of the Commission.

Linda Mitry,  
Acting Secretary.

cc: All Parties